

FOCUS ON EFFICIENCY

In large parts of the world we are seeing further increases in defence spending and bigger investments in civil security than before. In times of complex threat scenarios, it is clear that the borders between what has traditionally been regarded as a military or civil threat are gradually being erased. Saab's capabilities in systems integration, sensors and cybersecurity are therefore growing in demand.

International ventures

During the third quarter, we joined Adani Group of India to announce a collaboration plan within aerospace and defence. The intended collaboration aligns with the Indian government's "Make in India" initiative and could encompass design, development and production of Gripen and other high-tech products. We also announced a plan to establish manufacturing capabilities for the T-X trainer aircraft in the US, should Boeing and Saab win the competition for this aircraft in the US.

Order bookings

During the first nine months of the year, order bookings increased to MSEK 24,255 (14,960). Major orders were received in several areas, including two in airborne surveillance and one for the Next generation Light Anti-Tank Weapon system (NLAW), to the Swiss Army. Sweden ordered the development and production of the next generation anti-ship missile, the modification and upgrading of the Gävle-class corvettes, a new signal intelligence vessel, and continued support and maintenance of Gripen C/D.

During the period, we received a number of small and medium-sized orders, including a three-year contract extension with the UK Ministry of Defence for the provision of Tactical Engagement Simulation

(TES). In collaboration with Lockheed Martin, we also received an order for a training system for the U.S. Army.

The order backlog amounted to MSEK 109,406 at the end of the period.

Sales growth

Sales increased by 10 per cent compared to the same period in 2016. Several business areas saw strong growth in the period.

Operating income amounted to MSEK 1,273 (837) with an operating margin of 5.9 per cent (4.3). The improved operating margin is mainly attributable to stronger income in the business area Dynamics and a higher activity level related to airborne surveillance systems and support operations. We continue to focus on efficiency improvements in operations.

Operational cash flow amounted to MSEK -758 (1,922), in line with our expectations, as we had a strong positive cash flow in 2016 due to large advances and milestone payments that have not been repeated, at the same time that the activity level remains high.

Earnings per share after dilution amounted to SEK 8.29 (4.76).

Combat Management System to the Australian Navy

In early October, Saab was identified by the Australian government to provide the tactical interface to the Royal Australian Navy's fleet of nine Future Frigates. Saab was also named as the supplier of the 9LV Combat Management System for the upcoming programme, including Offshore Patrol Vessels.

INTERIM REPORT JANUARY-SEPTEMBER 2017



Håkan Buskhe, President and CEO

OUTLOOK STATEMENT FOR 2017:

- We estimate that sales growth in 2017 will be higher than Saab's long-term financial goal: annual organic sales growth of 5 per cent.
- We expect the operating margin, excluding material non-recurring items, to improve compared to 2016 and thus the company will take a step towards its financial goal: an operating margin of 10 per cent.

Financial highlights

MSEK	Jan-Sep 2017	Jan-Sep 2016	Change, %	Q3 2017	Q3 2016	Full Year 2016
Order bookings	24,255	14,960	62	3,701	3,498	21,828
Order backlog	109,406	109,521	-			107,606
Sales	21,575	19,615	10	6,222	5,761	28,631
Gross income	5,043	4,432	14	1,575	1,352	6,883
Gross margin, %	23.4	22.6		25.3	23.5	24.0
EBITDA	1,910	1,537	24	597	462	2,743
EBITDA margin, %	8.9	7.8		9.6	8.0	9.6
Operating income (EBIT)	1,273	837	52	388	226	1,797
Operating margin, %	5.9	4.3		6.2	3.9	6.3
Net income	919	536	71	260	122	1,175
of which Parent Company's shareholders' interest	890	509	75	248	113	1,133
Earnings per share after dilution, SEK ¹⁾	8.29	4.76		2.31	1.06	10.60
Return on equity, % ²⁾	11.9	13.8				9.0
Operational cash flow	-758	1,922		-315	-2,271	2,603
Free cash flow	-920	1,740		-388	-2,311	2,359
Free cash flow per share after dilution, SEK	-8.57	16.28		-3.61	-21.59	22.07

1) Average number of shares after dilution

107,357,386

106,875,192

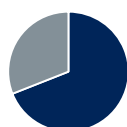
107,470,451

107,024,906

106,906,726

2) Return on equity is measured over a rolling 12-month period.

Significant orders, Jan-Sep 2017	MSEK
Next Generation Anti-Ship Missile	3,200
Airborne Early Warning and Control (AEW&C)	2,000
Continued Gripen support and maintenance	1,900
Airborne Early Warning and Control (AEW&C)	1,350
Modification and upgrading of the Swedish Marine's Gävle-class corvettes	1,249
Next generation Light Anti-Tank Weapon system (NLAW)	1,035



Large orders
Orders exceeding MSEK 100 accounted for 69% (48) of total orders during January-September 2017.

Order backlog duration:

2017: SEK 8.9 billion
2018: SEK 23.5 billion
2019: SEK 17.9 billion
2020: SEK 16.1 billion
After 2020: SEK 43.0 billion

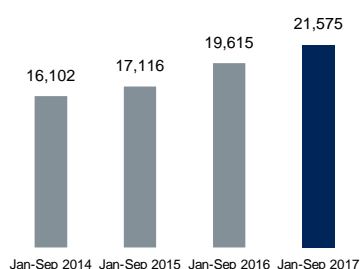


Defence/Civil
A total of 86% (84) of order bookings was attributable to defence-related operations during January-September 2017.



Market
A total of 52% (61) of order bookings was related to markets outside Sweden during January-September 2017.

Sales, MSEK



Orders

Third quarter 2017

In the third quarter, Saab received a number of small and medium-sized orders.

Among other things, Saab signed a contract with the Norwegian Defence Materiel Agency (NDMA) for deliveries of ammunition for the Carl-Gustaf man-portable weapon system. A contract was also signed for deliveries of components for Carl-Gustaf.

The Swedish Defence Materiel Administration (FMV) ordered Trackfire Remote Weapon Stations (RWS) for the Swedish Navy.

The Estonian Armed Forces ordered training systems for the Estonian Army, the UK Ministry of Defence signed a three-year contract extension for the provision of Tactical Engagement Simulation (TES) as a fully managed service. In addition, the U.S. Army ordered the shoulder-launched AT4CS RS (Reduced Sensitivity) anti-armour weapon system.

January-September 2017

During the period, Saab received an order within the Airborne Early Warning and Control (AEW&C) segment. The order value amounted to approximately MUSD 236 (approximately SEK 2 billion). Deliveries will be made from 2019 until 2021. Saab also received an additional order within the Airborne Early Warning and Control (AEW&C) segment amounting to SEK 1.35 billion, where deliveries are scheduled during the period 2017-2020.

A contract was signed with FMV regarding development and production of the next generation anti-ship missile system. The total order value amounted to SEK 3.2 billion and deliveries will take place during the period 2017-2026. Saab also received an order for continued support and maintenance of Gripen. The contract is valued at approximately SEK 1.9 billion and will be in effect from June 2017 to December 2019.

Saab also received an order from Armasuisse for deliveries of the Next generation Light Anti-Tank Weapon system, NLAW, to the Swiss Army. The order value amounted to approximately SEK 1 billion with deliveries during the period 2018 to 2021.

FMV ordered the modification and upgrading of the Swedish Marine's Gävle-class corvettes. The order value amounted to approximately SEK 1.2 billion and the work will be carried out during the period 2017 to 2020.

In total, Saab received orders of SEK 24.3 billion in the first nine months of 2017, of which SEK 7.6 billion (SEK 7.9 billion) was from orders of less than MSEK 100.

During the first nine months of 2017, index and price changes had a positive effect on order bookings of MSEK 200, compared to MSEK 230 during the same period in 2016.

The order backlog at the end of the period amounted to MSEK 109,406, compared to MSEK 107,606 at the beginning of the year.

Sales

Third quarter 2017

Sales amounted to MSEK 6,222 (5,761) in the third quarter.

January-September 2017

Sales increased during the first nine months of 2017 in several business areas and amounted to MSEK 21,575 (19,615). The large part of the increase is related to major orders within airborne surveillance systems, our support operations and increased sales in the business area Dynamics.

Sales in markets outside Sweden amounted to MSEK 12,513 (11,113), or 58 per cent (57) of total sales. 83 per cent (83) of sales was related to the defence market.

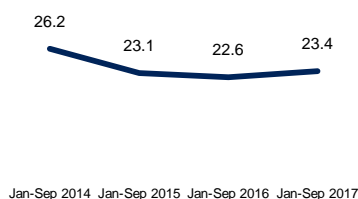
Sales growth

Per cent	Jan-Sep 2017	Jan-Sep 2016	Q3 2017	Q3 2016	Full Year 2016
Organic sales growth	9	16	8	-	5
Acquisitions	-	-	-	-	-
Currency effects regarding revaluation of foreign subsidiaries	1	-1	-	-	-
Total sales growth	10	15	8	0	5

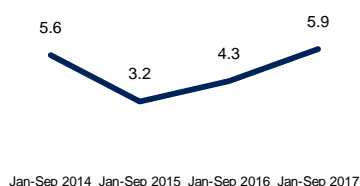
Sales per market segment

MSEK	Jan-Sep 2017	Jan-Sep 2016	Change, %
Air	10,315	8,873	16
Land	4,033	4,175	-3
Naval	3,800	3,370	13
Civil Security	1,490	1,409	6
Commercial Aeronautics	1,318	1,482	-11
Other	619	306	102
Total	21,575	19,615	10

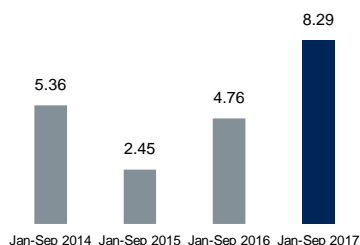
Gross margin, %



Operating margin, %



Earnings per share after dilution, SEK



Change in net debt Jan-Sep 2017

	MSEK
Net liquidity (+) / net debt (-), 31 Dec 2016	-1,836
Cash flow from operating activities	498
Change in net pension obligation	79
Net investments	-1,427
Dividend	-559
Currency impact and unrealised results from financial investments	21
Net liquidity (+) / net debt (-), 30 Sep 2017	-3,224

Income

Third quarter 2017

The gross margin during the third quarter amounted to 25.3 per cent (23.5).

Operating income amounted to MSEK 388 (226) with an operating margin of 6.2 per cent (3.9).

January-September 2017

The gross margin during the first nine months of 2017 was 23.4 per cent (22.6). The improved gross margin is mainly due to higher income in the business area Dynamics and in areas related to major orders within airborne surveillance systems.

Total depreciation and amortisation amounted to MSEK 637 (700). Depreciation of tangible fixed assets amounted to MSEK 416 (357).

Internally funded R&D expenditures amounted to MSEK 1,374 (1,475), of which MSEK 532 (550) was capitalised. The capitalisation of development costs is mainly related to GlobalEye. Internally funded R&D expenditures are mainly related to radar and sensor technology as well as to the T-X programme. Development expenditures in the T-X programme declined in the first nine months of 2017 compared to the same period in 2016.

Amortisation of intangible fixed assets amounted to MSEK 221 (343), of which amortisation of capitalised development expenditures amounted to MSEK 128 (233). The share of income in associated companies and joint ventures amounted to MSEK -15 (-42).

Operating income amounted to MSEK 1,273 (837) with an operating margin of 5.9 per cent (4.3). The business area Dynamics saw the biggest improvement in operating income thanks to increased deliveries and a changed product mix. Profitability strengthened in areas related to airborne surveillance systems due to a high level of activity.

Financial net

MSEK	Jan-Sep 2017	Jan-Sep 2016
Financial net related to pensions	-51	-47
Net interest items	-54	-45
Currency gains/losses	86	-11
Other financial items	-26	-25
Total	-45	-128

The financial net related to pensions is the financial cost for net pension obligations recognised in the balance sheet. See note 11 for more information regarding defined-benefit pension plans.

Net interest items refer to the return on liquid assets and short-term investments and to interest expenses on short- and long-term interest-bearing liabilities as well as realised derivative results.

Currency gains/losses recognised in the financial net are mainly related to hedges of the tender portfolio, which are valued at fair value through profit and loss.

Other net financial items consist of unrealised results from the market valuation of short-term investments and derivatives as well as other currency effects, e.g., changes in currency rates for liquid assets in currencies other than SEK. Derivatives are used to reduce interest rate risk in the investment portfolio, consisting of long-term interest-bearing securities.

Tax

Current and deferred taxes amounted to MSEK -309 (-173), equivalent to an effective tax rate of 25 per cent (24).

Return on capital employed and equity

The pre-tax return on capital employed was 11.0 per cent (11.8) and the after-tax return on equity was 11.9 per cent (13.8), both measured over a rolling 12-month period.

Financial position and liquidity

At the end of September 2017, net debt was MSEK 3,224, an increase of MSEK 1,388 compared to year-end 2016, when net debt amounted to MSEK 1,836.

Cash flow from operating activities amounted to MSEK 498.

Net provisions for pensions, excluding the special employers' contribution, amounted to MSEK 2,345 as of 30 September 2017, compared to MSEK 2,424 at year-end 2016. This had a positive impact on net debt of MSEK 79. The provisions decreased mainly because the return on assets under management exceeded the increase in the pension obligations. The discount rate and inflation assumption for calculating the pension obligation were the same as at year-end 2016: the discount rate was 2.75 per cent and the inflation assumption for calculating the pension obligation was 1.75 per cent. For more information on Saab's defined-benefit plans, see note 11.

During the period, net investments amounted to approximately MSEK 1,427, with capitalised internally funded R&D expenditures amounting to MSEK 532. In addition, a dividend of MSEK 559 was paid to the Parent Company's shareholders.

Currency exchange rate differences in liquid assets and unrealised results from financial investments had a positive impact on net debt of MSEK 21.

As of 30 September 2017, short-term investments and liquid assets amounted to MSEK 4,794, compared to MSEK 5,944 at year-end 2016.

Capitalised development costs on the balance sheet amounted to MSEK 2,051 as of 30 September 2017, compared to MSEK 1,652 as of 31 December 2016. The increase is mainly related to the development of GlobalEye.

Inventories increased by MSEK 1,231 during the period, mainly due to the business area Dynamics and upcoming deliveries in 2017.

Tangible fixed assets amounted to MSEK 5,065 at the end of the period, in line with year-end 2016.

Accounts receivable amounted to MSEK 3,559 as of 30 September 2017 and to MSEK 5,402 as of 31 December 2016. Amounts due from customers amounted to MSEK 7,610 as of 30 September 2017 and to MSEK 6,222 as of 31 December 2016.

Amounts due to customers amounted to MSEK 7,733 as of 30 September 2017 and to MSEK 7,884 as of 31 December 2016.

Capital expenditures

The cash flow effect of capital expenditures in tangible fixed assets amounted to MSEK 823 (495). The increased expenditures are mainly attributable to Saab Kockums and Dynamics.

Investments in intangible fixed assets amounted to MSEK 627 (627), of which MSEK 532 (550) was related to capitalised development costs and MSEK 95 (77) to other intangible fixed assets.

Changes in the consolidated statement of financial position

As of 1 January 2017, Saab has changed the structure of the consolidated statement of financial position. The following changes have been made:

Assets:

The previously reported "Other receivables" are now reported as "Amounts due from customers" and "Other receivables".

Liabilities:

The previously reported "Advance payments from customers" are now reported together with deferred income regarding long-term customer contracts according to the percentage of completion method and are denominated "Amounts due to customers".

The purpose of the structural change in the consolidated statement of financial position is to increase transparency on activities and settlements in long-term customer projects.

Key indicators of financial position and liquidity

MSEK	30 Sep 2017	31 Dec 2016	Change	30 Sep 2016
Net liquidity / debt ¹⁾	-3,224	-1,836	-1,388	-2,967
Intangible fixed assets	7,359	7,094	265	6,845
Goodwill	5,067	5,196	-129	5,115
Capitalised development costs	2,051	1,652	399	1,492
Other intangible fixed assets	241	246	-5	238
Tangible fixed assets, etc ²⁾	5,453	5,135	318	4,941
Inventories	7,891	6,660	1,231	6,572
Accounts receivable	3,559	5,402	-1,843	3,695
Amounts due from customers ³⁾	7,610	6,222	1,388	5,664
Amounts due to customers ³⁾	7,733	7,884	-151	6,433
Equity/assets ratio, %	33.7	32.3		32.5
Return on equity, %	11.9	9.0		13.8
Equity per share, SEK ⁴⁾	128.97	123.64	5.33	113.88

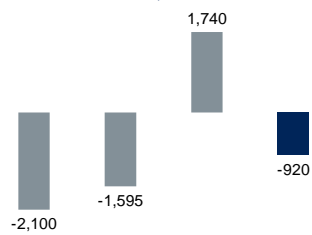
1) The Group's net liquidity/debt refers to liquid assets, short-term investments and interest-bearing receivables less interest-bearing liabilities and provisions for pensions excluding provisions for pensions attributable to special employers' contribution. For a detailed break-down of interest-bearing receivables and interest-bearing liabilities, see note 6.

2) Including tangible fixed assets, biological assets and investment properties.

3) Relate to long-term customer contracts according to the percentage of completion method.

4) Number of shares excluding treasury shares; 2017 Sep: 106,715,627; 2016 Sep: 106,287,119; 2016 Dec: 106,405,523.

Free cash flow, MSEK



Jan-Sep 2014 Jan-Sep 2015 Jan-Sep 2016 Jan-Sep 2017

Cash flow

Cash flow from operating activities excluding taxes and other financial items amounted to MSEK 669 (3,110), see note 9.

Saab has an established programme to sell trade receivables to strengthen its financial position and increase financial flexibility. The programme has not been utilised since 31 December 2016. Saab's aim is to utilise this programme in situations where greater financial flexibility is needed.

Operational cash flow amounted to MSEK -758 (1,922). It is defined as cash flow from operating activities excluding taxes and other financial items as well as acquisitions and divestments of intangible and tangible fixed assets. Cash flow is negative mainly as a result of utilisation of advances and previously received milestone payments from major projects.

Free cash flow amounted to MSEK -920 (1,740). For more detailed information on cash flow, see note 9.

	Total Group Jan-Sep 2017	Total Group Jan-Sep 2016
Cash flow from operating activities before changes in working capital, excluding taxes and other financial items	2,216	1,772
Change in working capital	-1,547	1,338
Cash flow from operating activities excluding taxes and other financial items	669	3,110
Cash flow from investing activities ¹⁾	-1,427	-1,188
Operational cash flow	-758	1,922
Taxes and other financial items	-171	-235
Sales and acquisitions	9	53
Free cash flow	-920	1,740

1) Cash flow from investing activities excluding change in short-term investments and other interest-bearing financial assets and excluding sale of and investment in financial assets, investments in operations and sale of subsidiaries. If investments in and sale of financial fixed assets are considered to be of operating nature, the item is included in investing activities.

Operating segments

As of 1 January 2017, the business unit Saab Kockums is a business area and has changed name to Kockums. For more information, see note 3.

BUSINESS AREA AERONAUTICS

Aeronautics is a world-leading manufacturer of innovative air systems and is engaged in development of military aviation technology.

MSEK	Jan-Sep 2017	Jan-Sep 2016	Change, %	Q3 2017	Q3 2016	Full Year 2016
Order bookings	1,876	710	164	158	217	1,789
Order backlog	51,109	55,263	-8			54,127
Sales	4,894	4,923	-1	1,351	1,562	7,138
EBITDA	331	350	-5	122	162	576
EBITDA margin, %	6.8	7.1		9.0	10.4	8.1
Operating income (EBIT)	294	320	-8	108	151	535
Operating margin, %	6.0	6.5		8.0	9.7	7.5
Operational cash flow	-303	88		-535	-1,032	435
Defence/Civil (% of sales)	99/1	99/1		99/1	99/1	99/1
No. of FTE's	3,085	2,864	8			2,932

Orders

- Saab received an order from FMV to provide operational and development support for Gripen during 2017. A contract was also signed with FMV on the continued support and maintenance of Gripen C/D valued in total at SEK 1.9 billion. The order value for Aeronautics amounted to MSEK 536 and deliveries will be made from September 2017 to December 2019.

Sales, income and margin

- The activity level within the Gripen programme to Sweden and to Brazil remained high, while Gripen C/D was lower than in the same period in 2016.
- During the first nine months of 2017, development expenditures for the T-X program were lower than in the same period in 2016.
- Due to the great interest in Gripen, marketing expenditures were higher in the first nine months of 2017 compared to the same period in 2016.

Cash flow

- Aeronautics received large milestone payments in the first quarter of 2017. The level of project activity and completion was high throughout the period.

BUSINESS AREA DYNAMICS

Dynamics offers a market-leading product portfolio comprising ground combat weapons, missile systems, torpedoes, unmanned underwater vehicles, training systems and signature management systems for armed forces around the world.

MSEK	Jan-Sep 2017	Jan-Sep 2016	Change, %	Q3 2017	Q3 2016	Full Year 2016
Order bookings	7,591	5,173	47	1,314	1,165	6,680
Order backlog	12,416	8,561	45			8,031
Sales	3,174	2,891	10	831	775	4,927
EBITDA	364	124	194	98	11	522
EBITDA margin, %	11.5	4.3		11.8	1.4	10.6
Operating income (EBIT)	300	73	311	76	-6	447
Operating margin, %	9.5	2.5		9.1	-0.8	9.1
Operational cash flow	309	101		126	-37	282
Defence/Civil (% of sales)	93/7	93/7		91/9	91/9	94/6
No. of FTE's	2,110	2,077	2			2,094

Orders

- Dynamics signed a contract with FMV for the development and production of next generation anti-ship missiles. The total order value amounted to SEK 3.2 billion. FMV thereafter ordered additional production of next generation anti-ship missiles for MSEK 500.
- Saab received an order from the Swiss Federal Office for Defence Procurement, Armatisuisse, to deliver the Next generation Light Anti-Tank Weapon system (NLAW) to the Swiss Army. The order value amounted to about SEK 1.035 billion with deliveries during the period 2018-2021.
- Saab was awarded a contract, in cooperation with Lockheed Martin, for a training system for the U.S. Army. In addition the U.S. Army also ordered the shoulder-launched AT4CS RS (Reduced Sensitivity) anti-armour weapon system. The UK Ministry of Defence signed a three-year extension of a contract for the provision of Tactical Engagement Simulation (TES) as a fully managed service.

Sales, income and margin

- Sales increased due to strong order bookings in recent quarters.
- The operating margin improved in the period due to high capacity utilisation and a changed product mix.

Cash flow

- Operational cash flow was positive in the period due to received payments for deliveries as well as received advances and milestone payments.



Large orders

Orders exceeding MSEK 100 accounted for 48% (5%) of total orders during January-September 2017.

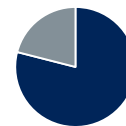


Market

Sales in markets outside Sweden amounted to 34% (30%) during January-September 2017.

Business units

Gripen E/F, Gripen C/D, Gripen Brazil, Advanced Pilot Training Systems and Operations Contracts.



Large orders

Orders exceeding MSEK 100 accounted for 79% (68%) of total orders during January-September 2017.



Market

Sales in markets outside Sweden amounted to 71% (82%) during January-September 2017.

Business units

Ground Combat, Missile Systems, Underwater Systems, Barracuda and Training and Simulation.

BUSINESS AREA SURVEILLANCE

Surveillance's product portfolio includes airborne, ground-based and naval radar systems, electronic warfare systems, combat systems and C4I solutions as well as traffic management systems.

MSEK	Jan-Sep 2017	Jan-Sep 2016	Change, %	Q3 2017	Q3 2016	Full Year 2016
Order bookings	6,025	3,826	57	940	915	5,993
Order backlog	15,899	16,320	-3			16,415
Sales	5,657	5,435	4	1,785	1,583	7,659
EBITDA	567	590	-4	206	214	940
EBITDA margin, %	10.0	10.9		11.5	13.5	12.3
Operating income (EBIT)	308	218	41	123	90	449
Operating margin, %	5.4	4.0		6.9	5.7	5.9
Operational cash flow	-296	1,760		-484	-195	1,865
Defence/Civil (% of sales)	82/18	82/18		82/18	81/19	82/18
No. of FTE's	4,191	3,745	12			3,963

Orders

- Surveillance and Support and Services received an order in the Airborne Early Warning and Control (AEW&C) segment valued at MUS\$ 236, approximately SEK 2 billion, of which approximately MSEK 550 was related to Surveillance. Another AEW&C contract was signed as well, with an order value of SEK 1.35 billion and deliveries during the period 2017-2020, of which MSEK 789 was related to Surveillance.
- Saab received an order for the electronic warfare self-protection and countermeasures system BOZ-101 EC on behalf of the German Air Force through the NATO Eurofighter 2000 and Tornado Management Agency (NETMA).
- Surveillance and Kockums also signed a contract for the modification and upgrade of the Swedish Navy's Gävle-class corvettes. The order value amounted to SEK 1.249 billion, of which MSEK 501 was related to Surveillance. The work will be carried out during the period 2017-2020.
- Saab also received an order from FMV to supply Trackfire Remote Weapon Stations (RWS) to the Swedish Navy.

Sales, income and margin

- Investments in marketing as well as research and development increased slightly at the same time that amortisation of capitalised development decreased in the first nine months of 2017 compared to the same period in 2016.

Cash flow

- Surveillance received large advances in the first quarter of 2017. The level of project activity and completion was high throughout the period.

BUSINESS AREA SUPPORT AND SERVICES

Support and Services offers reliable, cost-efficient service and support for all of Saab's markets. This primarily includes support solutions, technical maintenance and logistics as well as products, solutions and services for military and civil missions.

MSEK	Jan-Sep 2017	Jan-Sep 2016	Change, %	Q3 2017	Q3 2016	Full Year 2016
Order bookings	6,101	2,979	105	693	749	4,473
Order backlog	14,550	12,886	13			12,938
Sales	4,435	3,577	24	1,226	967	5,081
EBITDA	437	268	63	138	25	470
EBITDA margin, %	9.9	7.5		11.3	2.6	9.3
Operating income (EBIT)	421	256	64	132	21	454
Operating margin, %	9.5	7.2		10.8	2.2	8.9
Operational cash flow	174	1,212		258	-502	1,243
Defence/Civil (% of sales)	80/20	73/27		77/23	69/31	73/27
No. of FTE's	2,080	2,174	-4			2,119

Orders

- Support and Services and Surveillance received an order in the Airborne Early Warning and Control (AEW&C) segment valued at MUS\$ 236, approximately SEK 2 billion, of which approximately MSEK 1,450 was related to Support and Services.
- Another AEW&C contract was signed as well, with an order value of SEK 1.35 billion and deliveries during the period 2017-2020, of which MSEK 561 was related to Support and Services.
- A contract was also signed with FMV on the continued support and maintenance of Gripen C/D valued in total at SEK 1.9 billion. The order value for Support and Services amounted to MSEK 1,164 and deliveries will be made from June 2017 to December 2019.
- Australia ordered Saab's OneView™ electronic security system for installation at Australia's largest correctional facility, in Grafton, which will be built in the next three years.

Sales, income and margin

- Sales and the operating margin increased mainly due to a high activity level within the AEW&C segment.

Cash flow

- Operational cash flow was positive in the third quarter, mainly due to a large milestone delivery and payment.



Business units

Surface Radar Solutions, Airborne Surveillance Systems, Electronic Warfare Systems, Traffic Management and Combat Systems and C4I Solutions.



Business units

Aviation Services, Airborne ISR, Gripen Support, Networks and Public Safety, Tactical Solutions and Maintenance Production.

BUSINESS AREA INDUSTRIAL PRODUCTS AND SERVICES

The business units within Industrial Products and Services are focused on business-to-business (B2B) customers. There is also a minority portfolio containing Saab's ownership interest in companies in various stages of development.

MSEK	Jan-Sep 2017	Jan-Sep 2016	Change, %	Q3 2017	Q3 2016	Full Year 2016
Order bookings	2,461	2,656	-7	758	601	3,358
Order backlog	8,963	9,718	-8			9,361
Sales	2,876	2,539	13	826	697	3,605
EBITDA	104	83	25	-1	-13	170
EBITDA margin, %	3.6	3.3		-	-1.9	4.7
Operating income (EBIT)	77	56	38	-10	-22	134
Operating margin, %	2.7	2.2		-1.2	-3.2	3.7
Operational cash flow	-153	-30		194	11	-54
Defence/Civil (% of sales)	36/64	40/60		33/67	39/61	40/60
No. of FTE's	2,798	2,454	14			2,679

Orders

- Order bookings were slightly lower due to a major order within Aerostructures in the first nine months of 2016.

Sales, income and margin

- Sales increased due to stronger sales within Combitech, which was the result of increased demand, the effects of the transfer of Ericsson's development organisation in October 2016 and the acquisition of Watchcom AS in 2016.
- Operating income increased largely as a result of a high utilisation rate and additional project work within Combitech, while the business units Avionics and Aerostructures were affected by delayed deliveries.
- Investments were made during the period in the minority portfolio containing Saab's ownership interest in companies in various stages of development.

Cash flow

- Operational cash flow was negative, mainly due to currency transactions related to projects in the business unit Aerostructures during the period.

BUSINESS AREA KOCKUMS

Kockums' portfolio includes submarine systems with Stirling system for air-independent propulsion, surface combatants, mine hunting systems and autonomous vessels.

MSEK	Jan-Sep 2017	Jan-Sep 2016	Change, %	Q3 2017	Q3 2016	Full Year 2016
Order bookings	1,914	913	110	80	101	1,293
Order backlog	8,873	9,177	-3			8,910
Sales	1,949	1,665	17	565	544	2,311
EBITDA	128	110	16	41	34	165
EBITDA margin, %	6.6	6.6		7.3	6.3	7.1
Operating income (EBIT)	110	85	29	35	26	134
Operating margin, %	5.6	5.1		6.2	4.8	5.8
Operational cash flow	20	253		160	26	639
Defence/Civil (% of sales)	100/0	100/0		100/0	100/0	100/0
No. of FTE's	1,030	840	23			853

Orders

- A contract was signed with FMV for delivery of a Special Purpose Ship for Signal Intelligence (SIGINT). The order covers the period 2017-2020, with a total value of MSEK 730.
- Kockums and Surveillance also signed a contract for the modification and upgrade of the Swedish Navy's Gävle-class corvettes. The order value amounted to SEK 1.249 billion, of which MSEK 748 was related to Kockums. The work will be carried out during the period 2017-2020.
- A framework agreement was signed with FMV on submarine maintenance and support as well as submarine rescue systems covering the period 2017-2019.

Sales, income and margin

- Sales increased due to higher activity in the ongoing half-time modifications of two Gotland-class submarines and high activity related to maintenance of surface vessels.

Cash flow

- Kockums received large advances and milestone payments in the third quarter, which led to positive cash flow, despite a continued high level of project activity and completion.

Personnel

- During the third quarter, the number of employees increased within Kockums due to increased personnel needs mainly in production as the next generation A26 submarine for Sweden shifts from the design phase to production phase.

Business units

Submarines and Surface Ships.



Large orders

Orders exceeding MSEK 100 accounted for 25% (31% of total orders) during January-September 2017.



Market

Sales in markets outside Sweden amounted to 39% (44%) during January-September 2017.

Business units

Aerostructures, Avionics Systems, Combitech and Ventures Portfolio.

Owners

Saab's largest shareholders as of 30 September 2017 were:

	% of capital	% of votes
Investor AB	30.0	40.3
Knut and Alice Wallenberg Foundation	8.8	7.7
Swedbank Robur funds	4.7	4.2
AFA Insurance	2.4	2.1
Norges Bank	1.8	1.6
Fidelity	1.8	1.6
Handelsbanken funds	1.8	1.5
Unionen	1.7	1.5
AllianceBernstein	1.2	1.1
Andra AP-fonden	1.2	1.1

Source: Modular Finance

The percentage of votes is calculated on the number of shares excluding treasury shares at the end of the period.

Personnel

	30 Sep 2017	31 Dec 2016
Number of employees	16,048	15,465
FTE's	16,171	15,474

FTE's includes fixed-term employees and projects employees.

Corporate

Corporate reported operating income of MSEK -237 (-171) during the first nine months of 2017.

Operational cash flow attributable to Corporate amounted to MSEK -509 (-1,462) in the first nine months of 2017.

For more information on cash flow, see page 5.

Acquisitions and divestments 2017

No significant acquisitions or divestments were made in the first nine months of 2017.

Share repurchase

Saab held 2,434,717 treasury shares as of 30 September 2017, compared to 2,863,225 at year-end 2016. The Annual General Meeting on 5 April 2017 authorised the Board of Directors to repurchase up to 10 per cent of Saab's shares to hedge Saab's long-term incentive programmes.

Risks and uncertainties

Saab's operations primarily involve the development, production and supply of technologically advanced hardware and software to customers around the world.

Projects generally entail significant investments, long periods of time and technological development or refinement of products. In addition to customer and supplier relations, international operations involve joint ventures and collaborations with other industries as well as the establishment of operations abroad.

Operations can entail various degrees of risk. The key risk areas are political, operating and financial. Various policies and instructions govern the management of material risks. Saab today conducts more projects with major development parts than before, and their inherent complexity raises risk in several dimensions.

The market is characterised by challenging conditions where orders are deferred to the future partly for financial reasons, at the same time that customers are also dealing with shorter timeframes.

For a general description of the risk areas, see pages 66-69 of the annual report 2016.



Gripen Aggressor

In September, Saab presented Gripen Aggressor as an aircraft variant based on the Gripen C-series. Gripen Aggressor is an ultimate platform for realistic combat training and offers a unique mix of high performance, mission flexibility and availability, combined with a low life cycle cost.

Other events in January-September 2017

- Saab and Aalto University signed an agreement for a ten-year programme with the aim of strengthening their research cooperation, especially in long-term sensor technology research. Aalto University and Saab have been working together in this field for some time, and the newly signed agreement further strengthens this cooperation.
- Saab made changes within the Group Management in the first quarter. Ulf Nilsson left his position as Head of the business area Aeronautics and thus Saab's Group Management. Lennart Sindahl became acting Head of the business area Aeronautics and an adjunct member of the Group Management. In the second quarter, Saab announced that Jonas Hjelm was appointed new Head of Business Area Aeronautics.
- Saab rose in popularity among women when Universum ranked the most popular places to work among Swedish engineering students. Saab climbed from 22nd to 16th place among female engineering students and among male students Saab went from third to fourth place. In total, Saab remained the sixth most popular employer among Swedish engineering students.
- The Annual General Meeting on 5 April 2017 decided on a dividend of SEK 5.25 per share (totalling MSEK 559) to the shareholders. The record date for the dividend was set at 7 April 2017 and payment to 12 April 2017.
- The Annual General Meeting decided to elect Danica Kragic Jensfelt, Daniel Nodhäll and Erika Söderberg Johnson as new Board members, to re-elect Håkan Buskhe, Sten Jakobsson, Sara Mazur, Cecilia Stegö Chilò, Marcus Wallenberg, Joakim Westh and Bert Nordberg as Board members, and to re-elect Marcus Wallenberg as Chairman of the Board.
- Saab announced that it had selected Poland's Nauta Shiprepair Yard, based in Gdynia, a part of the Polish Armaments Group (PGZ), to build the ship platform for the special purpose Signal Intelligence (SIGINT) vessel for the Swedish Navy.
- Saab was awarded a contract to enhance security measures at strategic Australian government facilities under a transformation project in response to increased threats in and around Australian government agencies.
- On June 15, Saab completed a successful first flight of the next generation smart fighter, Gripen E. The maiden flight was conducted over the eastern parts of Östergötland for 40 minutes. During the flight, the aircraft's performance capabilities and key embedded functions were tested.
- Saab implemented changes within the Group Management in the second quarter. Ellen Molin was appointed the new Head of the business area Support and Services and Jessica Öberg the new Head of business area Industrial Products and Services. Dan Jangblad, currently Head of the business area Industrial Products and Services, leaves Group Management as of October 1 to take a position as Senior Advisor to the CEO.
- Saab Digital Air Traffic Solutions AB and Storuman municipality signed a letter of intent on the establishment of the world's first Remote Tower Centre for smaller regional airports (AFIS). The letter of intent means that Saab Digital Air Traffic Solutions (SDATS) and Storuman municipality will initiate a feasibility study aimed at establishing a "Remote AFIS Centre" for remote tower services and digital air traffic control services for smaller regional airports. Development of the technology and methodology will initially be carried out at Hemavan - Tärnaby Airport, with the objective of expanding the dialogue to several other airports.
- In September, Saab presented Gripen Aggressor as an aircraft variant based on the Gripen C-series. Gripen Aggressor is an ultimate platform for realistic combat training and offers a unique mix of high performance, mission flexibility and availability, combined with a low life cycle cost.
- In September, Saab and the Indian infrastructure conglomerate Adani Group announced a collaboration plan within aerospace and defence in India, aligned with the Government of India's Make in India initiative. The intended collaboration would encompass design, development and production of Gripen for India and other high-tech products of national importance for India and also the creation of joint ventures in India in line with the Make In India policy.
- Saab is competing together with Boeing to win the tender to supply the U.S. Air Force with an advanced trainer aircraft. Saab announced during the period that, should it be selected, it will establish manufacturing capabilities for its parts of the T-X advanced trainer aircraft in the US.

For information on significant orders received in 2017, see page 2 and the comments on the business segments on pages 6-8 and in note 3.

Events after the conclusion of the period

- The U.S. Navy ordered two Sea Giraffe Agile Multi Beam (AMB), Multi-Mode Radar (MMR).
- Saab signed a contract with NATO Support and Procurement Agency (NSPA) in Luxemburg to upgrade three SINDRE I air surveillance radars in Norway.
- Saab has been selected by Australian Maritime Systems Group (AMSG) to provide the Government of Queensland with a Vessel Traffic Management Information System (VTMIS), which will serve the Great Barrier Reef and Queensland's ports in Australia.
- Saab was selected by Cranfield University, one of the top four commercial research universities in United Kingdom, to deliver a digital air traffic control system to Cranfield Airport.
- Saab was identified by the Australian government to provide the tactical interface to the Royal Australian Navy's (RAN) fleet of nine Future Frigates. The Saab 9LV Combat Management System would form an integral part of the Future Frigate and upgraded Air Warfare Destroyer combat capability. Saab has also been selected as a supplier of the 9LV system for the future Offshore Patrol Vessels programme.
- Saab has signed a contract with MBDA for deliveries of subsystems for the Meteor Beyond Visual Range Air-to-Air Missile (BVRAAM) missile system. The order value amounts to approximately MSEK 150 and deliveries to MBDA will take place during the period 2020-2021.



ABOUT SAAB

Saab serves the global market with world-leading products, services and solutions ranging from military defence to civil security. The company has operations and employees on all continents and constantly develops, adapts and improves new technology to meet customers' changing needs.

Short facts

- Saab's series B share is listed on Nasdaq Stockholm Large Cap
Ticker: SAAB B
- Saab has approximately 16,000 employees
- Local presence in 36 countries
- Customers in more than 100 countries

Vision

It is a human right to feel safe.

Mission

To make people safe by pushing intellectual and technological boundaries.

Business concept

Saab constantly develops, adapts and improves new technology to meet changing customer needs. Saab serves the global market of governments, authorities and corporations with products, services and solutions for defence, aviation and civil security.

ORGANISATION

Saab's operations are divided into six operating segments for control and reporting purposes: the business areas Aeronautics, Dynamics, Surveillance, Support and Services, Industrial Products and Services, and Kockums. In addition, Corporate comprises Group staff, Group departments and secondary operations.

To ensure a presence in key local markets, Saab also has five market areas: Europe, Middle East & Africa, North America, Latin America and Asia Pacific.

REVENUE MODEL

Saab's earnings are primarily generated by long-term customer contracts, service assignments and the sale of goods. Sales, income and cash flow vary during the year depending on the nature of the project.

Long-term customer contracts relate to the development and manufacture of complex systems that stretch over several reporting periods. Long-term customer contracts are recognised in revenue as the project is completed, while cash flows depend on the timing of deliveries, advances and milestone payments during the contract period.

Service assignments consist of consulting and support services. Examples include education and ongoing maintenance associated with previous deliveries. Revenue from service assignments on current account is recognised when the services are rendered, while service assignments that are part of fixed-price contracts are recognised according to the same principles as long-term customer contracts.

The third part of the revenue model is the sale of products and spare parts that Saab manufactures and stocks or purchases on behalf of customers. This revenue is recognised when ownership has been transferred to the buyer.

SAAB'S STRATEGY

To stay a step ahead in an optimal way and meet our customers' needs, we have based our strategy on three priorities: market, efficiency and innovation. The aim is to create long-term value by working to achieve them. Sustainability issues affect our entire business, and engaged employees are the key to success.

Saab will also maintain a solid balance sheet, focus on capital efficiency and generate strong cash flow.

Market

We focus on areas where we have a strong market position and on strengthening our position in areas with good growth opportunities. Our global presence and diversity will be strengthened in part through partnerships and local collaborations. We have zero tolerance for corruption and work actively to create a thoroughly transparent defence market.

Efficiency

The focus is on making functional processes more efficient, developing an even more business-oriented culture and developing leaders and employees.

Innovation

We concentrate our product portfolio on innovations in five core areas and feel that diversity and engaged employees drive innovation.

FINANCIAL GOALS

Sales

Average organic sales growth of 5 per cent per year over a business cycle.

Operating margin

Average operating margin (EBIT) of at least 10 per cent per year over a business cycle.

Equity/assets ratio

The equity/assets ratio will exceed 30 per cent.

Dividend

The long-term dividend goal is to distribute 20–40 per cent of net income to the shareholders over a business cycle.

CONSOLIDATED INCOME STATEMENT

MSEK	Note	Jan-Sep 2017	Jan-Sep 2016	Rolling 12 Months	Full Year 2016
Sales	3	21,575	19,615	30,591	28,631
Cost of goods sold		-16,532	-15,183	-23,097	-21,748
Gross income		5,043	4,432	7,494	6,883
<i>Gross margin, %</i>		23.4	22.6	24.5	24.0
Other operating income		83	176	108	201
Marketing expenses		-1,750	-1,563	-2,410	-2,223
Administrative expenses		-1,064	-960	-1,468	-1,364
Research and development costs		-970	-1,157	-1,405	-1,592
Other operating expenses		-54	-49	-75	-70
Share in income of associated companies and joint ventures		-15	-42	-11	-38
Operating income (EBIT) ¹⁾	3	1,273	837	2,233	1,797
<i>Operating margin, %</i>		5.9	4.3	7.3	6.3
Financial income		150	60	180	90
Financial expenses		-195	-188	-283	-276
Net financial items		-45	-128	-103	-186
Income before taxes		1,228	709	2,130	1,611
Taxes		-309	-173	-572	-436
Net income for the period		919	536	1,558	1,175
of which Parent Company's shareholders' interest		890	509	1,514	1,133
of which non-controlling interest		29	27	44	42
Earnings per share before dilution, SEK ²⁾		8.35	4.80	14.22	10.67
Earnings per share after dilution, SEK ³⁾		8.29	4.76	14.10	10.60
1) Includes depreciation/amortisation and write-downs		-637	-700	-883	-946
2) Average number of shares before dilution		106,545,662	106,103,426	106,495,827	106,164,150
3) Average number of shares after dilution		107,357,386	106,875,192	107,345,563	106,906,726

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

MSEK	Jan-Sep 2017	Jan-Sep 2016	Rolling 12 Months	Full Year 2016
Net income for the period	919	536	1,558	1,175
Other comprehensive income/loss:				
Items that will not be reversed in the income statement:				
Revaluation of net pension obligations	136	-1,273	786	-623
Tax attributable to revaluation of net pension obligations	-30	280	-173	137
Total	106	-993	613	-486
Items that may be reversed in the income statement:				
Translation differences	-397	218	-228	387
Cash flow hedges	621	95	277	-249
Tax attributable to cash flow hedges	-131	-41	-51	39
Total	93	272	-2	177
Other comprehensive income/loss for the period	199	-721	611	-309
Net comprehensive income/loss for the period	1,118	-185	2,169	866
of which Parent Company's shareholders' interest	1,088	-248	2,114	778
of which non-controlling interest	30	63	55	88

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

MSEK	Note	30 Sep 2017	31 Dec 2016	30 Sep 2016
ASSETS				
Fixed assets:				
Intangible fixed assets	5	7,359	7,094	6,845
Tangible fixed assets		5,065	4,811	4,614
Biological assets		355	291	293
Investment properties		33	33	34
Shares in associated companies and joint ventures		703	788	674
Financial investments		159	165	186
Long-term receivables	11	602	505	496
Deferred tax assets		302	252	463
Total fixed assets		14,578	13,939	13,605
Current assets:				
Inventories		7,891	6,660	6,572
Derivatives		1,171	1,290	904
Tax receivables		165	120	270
Accounts receivable		3,559	5,402	3,695
Amounts due from customers		7,610	6,222	5,664
Other receivables		466	599	526
Prepaid expenses and accrued income		1,172	1,035	1,128
Short-term investments		2,677	4,542	3,566
Liquid assets	9	2,117	1,402	1,717
Total current assets		26,828	27,272	24,042
TOTAL ASSETS		41,406	41,211	37,647
SHAREHOLDERS' EQUITY AND LIABILITIES				
Shareholders' equity:				
Parent Company's shareholders' interest		13,763	13,156	12,104
Non-controlling interest		172	145	130
Total shareholders' equity		13,935	13,301	12,234
Long-term liabilities:				
Long-term interest-bearing liabilities	6	6,205	5,624	5,613
Other liabilities		184	202	169
Provisions for pensions	11	3,009	3,069	3,672
Other provisions		829	811	1,018
Deferred tax liabilities		343	30	24
Total long-term liabilities		10,570	9,736	10,496
Current liabilities:				
Short-term interest-bearing liabilities	6	83	292	286
Amounts due to customers		7,733	7,884	6,433
Accounts payable		2,270	2,880	1,889
Derivatives		1,128	1,955	1,494
Tax liabilities		230	81	25
Other liabilities		736	695	614
Accrued expenses and deferred income		4,252	3,988	3,811
Provisions		469	399	365
Total current liabilities		16,901	18,174	14,917
Total liabilities		27,471	27,910	25,413
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES		41,406	41,211	37,647

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

MSEK	Capital stock	Other capital contributions	Net result of cash flow hedges	Translation reserve	Revaluation reserve	Retained earnings	Total parent company's shareholders' interest	Non-controlling interest	Total shareholders' equity
Opening balance, 1 January 2016	1,746	543	-538	153	11	10,936	12,851	61	12,912
Net comprehensive income/loss for the period January-September 2016			26	210		-484	-248	63	-185
Transactions with shareholders:									
Share matching plan						60	60		60
Dividend						-530	-530	-4	-534
Acquisition and sale of non-controlling interest						-29	-29	10	-19
Closing balance, 30 September 2016	1,746	543	-512	363	11	9,953	12,104	130	12,234
Net comprehensive income/loss for the period October-December 2016			-267	162		1,131	1,026	25	1,051
Transactions with shareholders:									
Share matching plan						24	24		24
Dividend								-14	-14
Acquisition and sale of non-controlling interest						2	2	4	6
Closing balance, 31 December 2016	1,746	543	-779	525	11	11,110	13,156	145	13,301
Opening balance, 1 January 2017	1,746	543	-779	525	11	11,110	13,156	145	13,301
Net comprehensive income/loss for the period			479	-387		996	1,088	30	1,118
Transactions with shareholders:									
Share matching plan						78	78		78
Dividend						-559	-559	-3	-562
Closing balance, 30 September 2017	1,746	543	-300	138	11	11,625	13,763	172	13,935

CONSOLIDATED STATEMENT OF CASH FLOWS

MSEK	Note	Jan-Sep 2017	Jan-Sep 2016	Full Year 2016
Operating activities:				
Income after financial items		1,228	709	1,611
Adjustments for items not affecting cash flows		923	1,031	1,226
Dividend from associated companies and joint ventures		24	14	16
Income tax paid		-130	-217	-120
Cash flow from operating activities before changes in working capital		2,045	1,537	2,733
Cash flow from changes in working capital:				
Amounts due from and to customers		-1,543	4,198	5,092
Inventories		-1,291	-1,289	-1,329
Other current receivables		1,624	-687	-2,540
Other current liabilities		-279	-697	521
Provisions		-58	-187	-323
Cash flow from operating activities		498	2,875	4,154
Investing activities:				
Investments in intangible fixed assets		-95	-77	-98
Capitalised development costs		-532	-550	-784
Investments in tangible fixed assets		-823	-495	-807
Sales and disposals of tangible fixed assets		23	17	27
Investments in and sale of short-term investments		1,857	-531	-1,525
Investments in financial assets		-54	-112	-169
Sale of financial assets		20	9	25
Investments in operations, net effect on liquidity	10	-	-22	-49
Sale of subsidiaries, net effect on liquidity		-	77	77
Cash flow from investing activities		396	-1,684	-3,303
Financing activities:				
Repayments of loans		-1,265	-575	-582
Raising of loans		1,700	732	732
Dividend paid to Parent Company's shareholders		-559	-530	-530
Dividend paid to non-controlling interest		-3	-4	-5
Transactions with non-controlling interest		-	15	15
Cash flow from financing activities		-127	-362	-370
Cash flow for the period		767	829	481
Liquid assets at the beginning of the period		1,402	850	850
Exchange rate difference in liquid assets		-52	38	71
Liquid assets at end of period	9	2,117	1,717	1,402

QUARTERLY CONSOLIDATED INCOME STATEMENT

MSEK	Q3 2017	Q2 2017	Q1 2017	Q4 2016	Q3 2016	Q2 2016	Q1 2016	Q4 2015
Sales	6,222	7,923	7,430	9,016	5,761	7,064	6,790	10,070
Cost of goods sold	-4,647	-6,191	-5,694	-6,565	-4,409	-5,495	-5,279	-7,540
Gross income	1,575	1,732	1,736	2,451	1,352	1,569	1,511	2,530
<i>Gross margin, %</i>	25.3	21.9	23.4	27.2	23.5	22.2	22.3	25.1
Other operating income	17	47	19	25	37	100	39	272
Marketing expenses	-558	-629	-563	-660	-524	-543	-496	-569
Administrative expenses	-333	-379	-352	-404	-294	-337	-329	-392
Research and development costs	-288	-354	-328	-435	-327	-436	-394	-481
Other operating expenses	-17	-16	-21	-21	-10	-14	-25	-30
Share of income in associated companies and joint ventures	-8	-8	1	4	-8	-22	-12	17
Operating income (EBIT) ¹⁾	388	393	492	960	226	317	294	1,347
<i>Operating margin, %</i>	6.2	5.0	6.6	10.6	3.9	4.5	4.3	13.4
Financial income	37	76	37	30	19	-9	50	132
Financial expenses	-73	-68	-54	-88	-69	-66	-53	-143
Net financial items	-36	8	-17	-58	-50	-75	-3	-11
Income before taxes	352	401	475	902	176	242	291	1,336
Taxes	-92	-102	-115	-263	-54	-51	-68	-227
Net income for the period	260	299	360	639	122	191	223	1,109
of which Parent Company's shareholders' interest	248	288	354	624	113	183	213	1,101
of which non-controlling interest	12	11	6	15	9	8	10	8
Earnings per share before dilution, SEK ²⁾	2.33	2.70	3.33	5.87	1.06	1.72	2.01	10.40
Earnings per share after dilution, SEK ³⁾	2.31	2.68	3.30	5.82	1.06	1.71	1.99	10.32
1) Includes depreciation/amortisation and write-downs	-209	-221	-207	-246	-236	-234	-230	-253
2) Average number of shares before dilution	106,660,461	106,538,205	106,438,320	106,346,321	106,223,750	106,094,093	105,992,435	105,900,182
3) Average number of shares after dilution	107,470,451	107,423,697	107,320,873	107,167,229	107,024,906	106,912,764	106,853,562	106,688,771

QUARTERLY CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

MSEK	Q3 2017	Q2 2017	Q1 2017	Q4 2016	Q3 2016	Q2 2016	Q1 2016	Q4 2015
Net income for the period	260	299	360	639	122	191	223	1,109
Other comprehensive income/loss:								
Items that will not be reversed in the income statement:								
Revaluation of net pension obligations	440	-378	74	650	-327	-433	-513	339
Tax attributable to revaluation of net pension obligations	-97	83	-16	-143	72	95	113	-73
Total	343	-295	58	507	-255	-338	-400	266
Items that may be reversed in the income statement:								
Translation differences	-178	-208	-11	169	125	134	-41	-66
Net gain/loss on available-for-sale financial assets	-	-	-	-	-	-	-	-90
Net gain/loss on cash flow hedges	154	300	167	-344	130	-179	144	190
Tax attributable to net gain/loss on cash flow hedges	-27	-62	-42	80	-39	34	-36	-39
Total	-51	30	114	-95	216	-11	67	-5
Other comprehensive income/loss for the period	292	-265	172	412	-39	-349	-333	261
Net comprehensive income/loss for the period	552	34	532	1,051	83	-158	-110	1,370
of which Parent Company's shareholders' interest	548	29	511	1,026	60	-181	-127	1,375
of which non-controlling interest	4	5	21	25	23	23	17	-5

KEY RATIOS BY QUARTER

MSEK	Q3 2017	Q2 2017	Q1 2017	Q4 2016	Q3 2016	Q2 2016	Q1 2016	Q4 2015
Equity/assets ratio, (%)	33.7	32.9	33.3	32.3	32.5	31.9	33.9	36.8
Return on capital employed, % ³⁾	11.0	10.5	9.6	8.9	11.8	11.3	11.3	11.2
Return on equity, % ³⁾	11.9	11.2	9.8	9.0	13.8	13.0	12.7	11.5
Equity per share, SEK ^{1) 3)}	128.97	123.67	128.57	123.64	113.88	113.25	120.17	121.28
Free cash flow, MSEK ³⁾	-388	-1,429	897	619	-2,311	1,096	2,955	869
Free cash flow per share after dilution, SEK ^{2) 3)}	-3.61	-13.30	8.36	5.78	-21.59	10.25	27.65	8.15
1) Number of shares excluding treasury shares	106,715,627	106,605,294	106,471,116	106,405,523	106,287,119	106,160,381	106,027,804	105,957,065
2) Average number of shares after dilution	107,470,451	107,423,697	107,320,873	107,167,229	107,024,906	106,912,764	106,853,562	106,688,771

3) For more information and explanations regarding the usage of these key ratios, please see saabgroup.com, investor, financial data, key ratios.

QUARTERLY INFORMATION PER OPERATING SEGMENT

MSEK	Q3 2017	Operating margin	Q2 2017	Operating margin	Q1 2017	Operating margin	Q4 2016	Operating margin
Sales								
Aeronautics	1,351		1,865		1,678		2,215	
Dynamics	831		1,361		982		2,036	
Surveillance	1,785		2,089		1,783		2,224	
Support and Services	1,226		1,447		1,762		1,504	
Industrial Products and Services	826		1,034		1,016		1,066	
Kockums	565		706		678		646	
Internal sales	-362		-579		-469		-675	
Total	6,222		7,923		7,430		9,016	
Operating income/loss								
Aeronautics	108	8.0%	106	5.7%	80	4.8%	215	9.7%
Dynamics	76	9.1%	134	9.8%	90	9.2%	374	18.4%
Surveillance	123	6.9%	97	4.6%	88	4.9%	231	10.4%
Support and Services	132	10.8%	133	9.2%	156	8.9%	198	13.2%
Industrial Products and Services	-10	-1.2%	17	1.6%	70	6.9%	78	7.3%
Kockums	35	6.2%	40	5.7%	35	5.2%	49	7.6%
Corporate	-76		-134		-27		-185	
Total	388	6.2%	393	5.0%	492	6.6%	960	10.6%

MSEK	Q3 2016	Operating margin	Q2 2016	Operating margin	Q1 2016	Operating margin	Q4 2015	Operating margin
Sales								
Aeronautics	1,562		1,739		1,622		2,114	
Dynamics	775		1,044		1,072		1,555	
Surveillance	1,583		2,051		1,801		2,613	
Support and Services	967		1,326		1,284		2,795	
Industrial Products and Services	697		969		873		1,022	
Kockums	544		489		632		599	
Internal sales	-367		-554		-494		-628	
Total	5,761		7,064		6,790		10,070	
Operating income/loss								
Aeronautics	151	9.7%	102	5.9%	67	4.1%	305	14.4%
Dynamics	-6	-0.8%	39	3.7%	40	3.7%	294	18.9%
Surveillance	90	5.7%	73	3.6%	55	3.1%	318	12.2%
Support and Services	21	2.2%	137	10.3%	98	7.6%	417	14.9%
Industrial Products and Services	-22	-3.2%	25	2.6%	53	6.1%	104	10.2%
Kockums	26	4.8%	25	5.1%	34	5.4%	-19	-3.2%
Corporate	-34		-84		-53		-72	
Total	226	3.9%	317	4.5%	294	4.3%	1,347	13.4%

2015 has been restated according to the structural changes described in the annual report 2015, page 35.

MULTI-YEAR OVERVIEW

MSEK	2016	2015	2014	2013	2012
Order bookings	21,828	81,175	22,602	49,809	20,683
Order backlog at 31 December	107,606	113,834	60,128	59,870	34,151
Sales	28,631	27,186	23,527	23,750	24,010
<i>Sales in Sweden, %</i>	43	42	45	41	36
<i>Sales in Europe excluding Sweden, %</i>	17	18	19	20	21
<i>Sales in North America, %</i>	10	9	10	11	11
<i>Sales in Latin America, %</i>	7	6	2	2	1
<i>Sales in Rest of the World, %</i>	23	25	24	26	31
Operating income (EBIT)	1,797	1,900	1,659	1,345	2,050
<i>Operating margin, %</i>	6.3	7.0	7.1	5.7	8.5
Depreciation/amortisation and write-downs less depreciation/amortisation and write-downs of lease aircraft	946	959	864	1,022	1,136
EBITDA	2,743	2,859	2,523	2,367	3,186
<i>EBITDA margin, %</i>	9.6	10.5	10.7	10.0	13.3
Income after financial items	1,611	1,731	1,523	979	2,003
Net income for the year	1,175	1,402	1,168	742	1,560
Total assets	41,211	35,088	29,556	27,789	28,938
Equity	13,301	12,912	11,373	12,227	11,280
Free cash flow ¹⁾	2,359	-726	-1,094	-1,460	-396
<i>Return on capital employed, % ¹⁾</i>	8.9	11.2	11.1	9.1	14.6
<i>Return on equity, % ¹⁾</i>	9.0	11.5	9.9	6.3	12.8
<i>Equity/assets ratio, %</i>	32.3	36.8	38.5	44.0	39.0
Earnings per share before dilution, SEK ¹⁾	10.67	12.88	10.86	6.98	15.00
Earnings per share after dilution, SEK ¹⁾	10.60	12.79	10.78	6.79	14.52
Dividend per share, SEK	5.25	5.00	4.75	4.50	4.50
Equity per share, SEK ¹⁾	123.64	121.28	107.02	114.04	105.43
Number of employees at year-end	15,465	14,685	14,716	14,140	13,968
Number of shares excluding treasury shares as of 31 December	106,405,523	105,957,065	105,499,980	106,414,144	105,930,829
Average number of shares before dilution	106,164,150	105,714,805	106,125,666	106,125,107	105,632,911
Average number of shares after dilution	106,906,726	106,450,263	106,916,255	109,150,344	109,150,344

1) For more information and explanations regarding the usage of these key ratios, please see saabgroup.com, investor, financial data, key ratios.

2013 has been restated according to the changed accounting principles for joint arrangements (IFRS 11).

2012 has been restated according to the changed accounting principles for pensions (IAS 19).

KEY RATIOS AND GOALS

	Long-term target	Jan-Sep 2017	Jan-Sep 2016	Full Year 2016
Organic sales growth, %	5	9	16	5
Operating margin, %	10	5.9	4.3	6.3
Equity/assets ratio, %	30	33.7	32.5	32.3

PARENT COMPANY INCOME STATEMENT

MSEK	Jan-Sep 2017	Jan-Sep 2016	Full Year 2016
Sales	13,910	12,498	17,988
Cost of goods sold	-10,940	-9,962	-14,125
Gross income	2,970	2,536	3,863
<i>Gross margin, %</i>	<i>21.4</i>	<i>20.3</i>	<i>21.5</i>
Operating income and expenses	-2,765	-2,724	-3,869
Operating income (EBIT)	205	-188	-6
<i>Operating margin, %</i>	<i>1.5</i>	<i>-1.5</i>	<i>-0.0</i>
Financial income and expenses	60	-44	317
Income after financial items	265	-232	311
Appropriations	-	-	-141
Income before taxes	265	-232	170
Taxes	-96	-2	-73
Net income for the period	169	-234	97

Parent Company

The Parent Company includes units within the business areas Aeronautics, Surveillance, Support and Services, and Industrial Products and Services as well as one unit within Dynamics. Group staff and Group support are also included.

PARENT COMPANY BALANCE SHEET

MSEK	Note	30 Sep 2017	31 Dec 2016	30 Sep 2016
ASSETS				
Fixed assets:				
Intangible fixed assets		479	545	616
Tangible fixed assets		3,206	3,033	2,949
Financial fixed assets		6,674	6,725	7,692
Total fixed assets		10,359	10,303	11,257
Current assets:				
Inventories		5,480	4,980	4,635
Current receivables		11,879	12,798	9,677
Short term investments		2,667	4,524	3,535
Liquid assets		1,452	651	1,098
Total current assets		21,478	22,953	18,945
TOTAL ASSETS		31,837	33,256	30,202
SHAREHOLDERS' EQUITY AND LIABILITIES				
Equity:				
Restricted equity		2,970	2,971	2,977
Unrestricted equity		4,362	4,676	4,316
Total shareholders' equity		7,332	7,647	7,293
Untaxed reserves, provisions and liabilities:				
Untaxed reserves		2,280	2,280	2,139
Provisions		991	807	871
Liabilities	6	21,234	22,522	19,899
Total untaxed reserves, provisions and liabilities		24,505	25,609	22,909
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES		31,837	33,256	30,202

Liquidity, financing, capital expenditures and number of employees

The Parent Company's net debt amounted to MSEK 4,837 as of 30 September 2017 compared to MSEK 3,041 as of 31 December 2016.

Investments in tangible fixed assets amounted to MSEK 432 (294). Investments in intangible assets amounted to MSEK 78 (73). At the end of the period, the Parent Company had 9,227 employees, compared to 8,941 at the beginning of the year.

A major part of the Group's operations is included in the Parent Company. Separate notes to the Parent Company's financial statements and a separate description of risks and uncertainties for the Parent Company have therefore not been included in this interim report.

NOTES TO THE FINANCIAL STATEMENTS

NOTE 1 Corporate information

Saab AB (publ.), corporate identity no. 556036-0793, with registered office in Linköping, Sweden. The company's head office is located at Gustavslundsvägen 42, Bromma, with the mailing address P.O. Box 12062, SE-102 22 Stockholm, Sweden, and the telephone number +46-8-463 00 00. Saab's B shares are listed on Nasdaq Stockholm since 1998 and on the large cap list as of October 2006. The company's operations, including subsidiaries, associated companies and joint ventures, are described in the annual report 2016.

NOTE 2 Accounting principles

The consolidated accounts for the first nine months of 2017 are prepared according to IAS 34 Interim Financial Reporting and the Annual Accounts Act. The Parent Company's accounts have been prepared according to the Annual Accounts Act and the Swedish Financial Reporting Board's recommendation RFR 2, Reporting by Legal Entities. The Group's accounting principles are described on pages 96 to 97 as well as in the notes on material profit/loss and balance sheet items in the annual report 2016.

The Group and the Parent Company apply the same accounting principles and methods of computation as described in the annual report 2016.

The interim report is abbreviated and does not contain all the information and disclosures available in the annual report and as such should be read together with the annual report 2016. All information on pages 1-30 constitute the interim report January-September 2017.

Two new standards will apply to financial years beginning as of 1 January 2018.

IFRS 9 Financial instruments sets out the requirements for classification, measurement and accounting of financial assets and liabilities and introduces new rules for hedge accounting. Saab began evaluating the effects of the introduction of the standard in 2016 and has continued with a more detailed evaluation in 2017. The evaluation has been in the form of a project with participants from various parts of the company. Saab does not expect the new standard to have a significant impact on the company's income statement or financial position.

IFRS 15 Revenue from contracts with customers governs the recognition of revenue. Saab has continued in 2017 to prepare for implementation of the standard. The work is in its final stages and Saab remains of the opinion that the impact on the opening balance in 2017 as well as on the income statement and financial position in 2018 will be insignificant.

NOTE 3 Segment reporting

Saab is a leading high-technology company, with its main operations in defence, aviation and civil security. Operations are primarily focused on well-defined areas in defence electronics, missile systems, and naval systems as well as military and commercial aviation. Saab is also active in technical services and maintenance. Saab has a strong position in Sweden and the main part of sales is generated in Europe. In addition, Saab has a local presence in South Africa, Australia, the US, and in other selected countries. Saab's operating and management structure is divided into six business areas, which are also operating segments: Aeronautics, Dynamics, Surveillance, Support and Services, Industrial Products and Services, and Kockums. In addition, Corporate comprises Group staff and departments as well as other operations outside the core operations.

Aeronautics

Aeronautics is a world-leading manufacturer of innovative aerial systems and is engaged in development of military aviation technology. It also conducts long-term future studies of manned and unmanned aircraft as preparation for new systems and further development of existing products.

Dynamics

Dynamics offers a market-leading product portfolio comprising ground combat weapons, missile systems, torpedoes, unmanned underwater vehicles, systems for training and simulation, signature management systems for armed forces around the world, and niche products for the civil and defence markets.

Surveillance

Surveillance provides efficient solutions for safety and security, for surveillance and decision support, and for threat detection, location, and protection. The portfolio covers airborne, ground-based and naval radar, electronic warfare, combat systems and C4I solutions, and traffic management systems.

Support and Services

Support and Services offers reliable, cost-efficient service and support for all of Saab's markets. This includes support solutions, technical maintenance and logistics as well as products, solutions and services for military and civil missions.

Industrial Products and Services

The business units within Industrial Products and Services are focused on business-to-business (B2B) customers. There is also a minority portfolio containing Saab's ownership interests in companies in various stages of development.

Kockums

Kockums develops, delivers, and maintains world-class solutions for naval environments. Its portfolio includes submarines with the Stirling system for air independent propulsion, surface combatants, mine hunting systems and autonomous vessels. Kockums' unique competence is in signature management, impact strength and advanced stealth technology.

Order bookings per operating segment

MSEK	Jan-Sep	Jan-Sep	Change, %	Q3	Q3	Full Year
	2017	2016		2017	2016	
Aeronautics	1,876	710	164	158	217	1,789
Dynamics	7,591	5,173	47	1,314	1,165	6,680
Surveillance	6,025	3,826	57	940	915	5,993
Support and Services	6,101	2,979	105	693	749	4,473
Industrial Products and Services	2,461	2,656	-7	758	601	3,358
Kockums	1,914	913	110	80	101	1,293
Internal	-1,713	-1,297		-242	-250	-1,758
Total	24,255	14,960	62	3,701	3,498	21,828

Order bookings per region

MSEK	Jan-Sep	Jan-Sep	Change, %	Full Year
	2017	2016		
Sweden	11,682	5,837	100	8,957
Rest of Europe	3,823	2,904	32	3,702
North America	1,924	1,064	81	1,904
Latin America	149	-84		199
Asia	4,665	3,986	17	5,278
Africa	212	351	-40	467
Australia, etc.	1,800	902	100	1,321
Total	24,255	14,960	62	21,828

NOTE 3 Continued

Order backlog per operating segment

MSEK	30 Sep 2017	31 Dec 2016	30 Sep 2016
Aeronautics	51,109	54,127	55,263
Dynamics	12,416	8,031	8,561
Surveillance	15,899	16,415	16,320
Support and Services	14,550	12,938	12,886
Industrial Products and Services	8,963	9,361	9,718
Kockums	8,873	8,910	9,177
Internal	-2,404	-2,176	-2,404
Total	109,406	107,606	109,521

Order backlog per region

MSEK	30 Sep 2017	31 Dec 2016	30 Sep 2016
Sweden	40,633	38,010	38,784
Rest of Europe	10,095	9,386	10,295
North America	4,739	5,000	4,896
Latin America	37,407	38,940	39,333
Asia	13,622	14,178	14,341
Africa	547	711	731
Australia etc.	2,363	1,381	1,141
Total	109,406	107,606	109,521

Sales per operating segment

MSEK	Jan-Sep 2017	Jan-Sep 2016	Change, %	Q3 2017	Q3 2016	Rolling 12 Months	Full Year 2016
Aeronautics	4,894	4,923	-1	1,351	1,562	7,109	7,138
of which external sales	4,586	4,643	-1	1,263	1,480	6,671	6,728
of which internal sales	308	280	10	88	82	438	410
Dynamics	3,174	2,891	10	831	775	5,210	4,927
of which external sales	3,073	2,809	9	809	742	5,050	4,786
of which internal sales	101	82	23	22	33	160	141
Surveillance	5,657	5,435	4	1,785	1,583	7,881	7,659
of which external sales	5,401	5,261	3	1,742	1,531	7,523	7,383
of which internal sales	256	174	47	43	52	358	276
Support and Services	4,435	3,577	24	1,226	967	5,939	5,081
of which external sales	4,331	3,440	26	1,206	946	5,792	4,901
of which internal sales	104	137	-24	20	21	147	180
Industrial Products and Services	2,876	2,539	13	826	697	3,942	3,605
of which external sales	2,135	1,780	20	610	510	2,865	2,510
of which internal sales	741	759	-2	216	187	1,077	1,095
Kockums	1,949	1,665	17	565	544	2,595	2,311
of which external sales	1,948	1,661	17	565	542	2,593	2,306
of which internal sales	1	4		-	2	2	5
Corporate/eliminations	-1,410	-1,415		-362	-367	-2,085	-2,090
of which external sales	101	21		27	10	97	17
of which internal sales	-1,511	-1,436		-389	-377	-2,182	-2,107
Total	21,575	19,615	10	6,222	5,761	30,591	28,631

Sales per region

MSEK	Jan-Sep 2017	% of sales	Jan-Sep 2016	% of sales	Full Year 2016	% of sales
Sweden	9,062	42	8,502	43	12,389	43
Rest of Europe	3,113	14	3,287	17	4,981	17
North America	2,046	9	1,923	10	2,740	10
Latin America	1,658	8	1,327	7	2,014	7
Asia	4,606	21	3,524	18	5,107	18
Africa	361	2	354	2	495	2
Australia, etc.	729	3	698	4	905	3
Total	21,575	100	19,615	100	28,631	100

Information on large customers

In the first nine months of 2017, Saab had one customer that accounted for 10 per cent or more of the Group's sales: the Swedish Defence Materiel Administration (FMV). FMV is a customer of all business areas and total sales amounted to MSEK 7,316 (6,907).

Seasonal variation

A major part of Saab's business is related to large projects where the revenue is recognised by using the percentage of completion method. The costs incurred in these projects are normally lower during the third quarter compared to other quarters. The fourth quarter is also usually affected by a higher number of deliveries, mainly within Dynamics.

NOTE 3 Continued

Operating income per operating segment

MSEK	Jan-Sep 2017	% of sales	Jan-Sep 2016	% of sales	Rolling 12 Months	Full Year 2016
Aeronautics	294	6.0	320	6.5	509	535
Dynamics	300	9.5	73	2.5	674	447
Surveillance	308	5.4	218	4.0	539	449
Support and Services	421	9.5	256	7.2	619	454
Industrial Products and Services	77	2.7	56	2.2	155	134
Kockums	110	5.6	85	5.1	159	134
The operating segments' operating income	1,510	7.0	1,008	5.1	2,655	2,153
Corporate	-237		-171		-422	-356
Total	1,273	5.9	837	4.3	2,233	1,797

Depreciation/amortisation and write-downs per operating segment

MSEK	Jan-Sep 2017	Jan-Sep 2016	Change, %	Q3 2017	Q3 2016	Rolling 12 Months	Full Year 2016
Aeronautics	37	30	23	14	11	48	41
Dynamics	64	51	25	22	17	88	75
Surveillance	259	372	-30	83	124	378	491
Support and Services	16	12	33	6	4	20	16
Industrial Products and Services	27	27	-	9	9	36	36
Kockums	18	25	-28	6	8	24	31
Corporate	216	183	18	69	63	289	256
Total	637	700	-9	209	236	883	946

Operational cash flow per operating segment

MSEK	Jan-Sep 2017	Jan-Sep 2016	Q3 2017	Q3 2016	Rolling 12 Months	Full Year 2016
Aeronautics	-303	88	-535	-1,032	44	435
Dynamics	309	101	126	-37	490	282
Surveillance	-296	1,760	-484	-195	-191	1,865
Support and Services	174	1,212	258	-502	205	1,243
Industrial Products and Services	-153	-30	194	11	-177	-54
Kockums	20	253	160	26	406	639
Corporate	-509	-1,462	-34	-542	-854	-1,807
Total	-758	1,922	-315	-2,271	-77	2,603

Capital employed per operating segment

MSEK	30 Sep 2017	31 Dec 2016	30 Sep 2016
Aeronautics	2,882	2,303	2,371
Dynamics	3,391	3,320	3,095
Surveillance	7,242	7,206	6,847
Support and Services	2,811	2,614	2,454
Industrial Products and Services	2,688	2,326	2,151
Kockums	827	749	713
Corporate	2,778	3,173	3,477
Total	22,619	21,691	21,108

Full time equivalents (FTE's) per operating segment

Number at end of the period	30 Sep 2017	31 Dec 2016	30 Sep 2016
Aeronautics	3,085	2,932	2,864
Dynamics	2,110	2,094	2,077
Surveillance	4,191	3,963	3,745
Support and Services	2,080	2,119	2,174
Industrial Products and Services	2,798	2,679	2,454
Kockums	1,030	853	840
Corporate	877	834	826
Total	16,171	15,474	14,980

NOTE 4 Dividend to Parent Company's shareholders

At the Annual General Meeting on 5 April 2017, it was decided that the Parent Company's shareholders should receive a dividend of SEK 5.25 per share, totalling MSEK 559.

The record date for the dividend was set at 7 April 2017 and payment of dividend at 12 April 2017.

NOTE 5 Intangible fixed assets

MSEK	30 Sep 2017	31 Dec 2016	30 Sep 2016
Goodwill	5,067	5,196	5,115
Capitalised development costs	2,051	1,652	1,492
Other intangible assets	241	246	238
Total	7,359	7,094	6,845

NOTE 6 Net liquidity/debt

MSEK	30 Sep 2017	31 Dec 2016	30 Sep 2016
Assets:			
Liquid assets	2,117	1,402	1,717
Short-term investments	2,677	4,542	3,566
Total liquid investments	4,794	5,944	5,283
Short-term interest-bearing receivables	24	29	31
Long-term interest-bearing receivables	457	391	405
Long-term receivables attributable to pensions	51	51	49
Long-term interest-bearing financial investments	134	140	139
Total interest-bearing assets	5,460	6,555	5,907
Liabilities:			
Liabilities to credit institutions	5,769	5,107	5,114
Liabilities to associated companies and joint ventures	44	239	239
Other interest-bearing liabilities	475	570	546
Provisions for pensions ¹⁾	2,396	2,475	2,975
Total interest-bearing liabilities and provisions for pensions	8,684	8,391	8,874
Net liquidity (+) / net debt (-)	-3,224	-1,836	-2,967

1) Excluding provisions for pensions attributable to special employers' contribution.

NOTE 6 Continued

Committed credit lines

MSEK	Facilities	Drawings	Available
Revolving credit facility (Maturity 2021)	6,000	-	6,000
Overdraft facility (Maturity 2018)	40	2	38
Total	6,040	2	6,038

Parent Company

MSEK	30 Sep 2017	31 Dec 2016	30 Sep 2016
Long-term liabilities to credit institutions	5,766	5,107	5,113
Short-term liabilities to credit institutions	2	-	-
Total	5,768	5,107	5,113

Since 2009, Saab has a Medium Term Note programme (MTN) to enable the issuance of long-term loans on the capital market. In 2015, the MTN programme was increased from MSEK 3,000 to MSEK 6,000. Under the terms of this programme, Saab has issued fixed rate bonds as well as Floating Rate Notes (FRN). In September 2017, MSEK 1,038 was repaid, of which MSEK 735 was renegotiated and MSEK 303 was prepaid on loans of MSEK 1,350 due in 2018. At the same time, new loans of MSEK 1,700, maturing in 2022, were issued. As a result, outstanding loans under the MTN programme totalled MSEK 4,762. In December 2015, Saab signed Schuldschein loan agreements amounting to MEUR 100.

NOTE 7 Capital employed

MSEK	30 Sep 2017	31 Dec 2016	30 Sep 2016
Total assets	41,406	41,211	37,647
Less non-interest bearing liabilities	18,787	19,520	16,539
Capital employed	22,619	21,691	21,108

NOTE 8 Financial instruments

Classification and categorisation of financial assets and liabilities ¹⁾

Carrying amount	30 Sep 2017	31 Dec 2016	30 Sep 2016
Financial assets:			
Financial investments at fair value through profit and loss	26	25	47
Financial investments held to maturity ²⁾	133	140	139
Long-term receivables	467	505	496
Derivatives identified as hedges	1,079	1,225	870
Derivatives at fair value through profit and loss for trading	92	65	34
Accounts receivable and other receivables	12,165	12,740	10,479
Short-term investments at fair value	2,677	4,542	3,566
Liquid assets	2,117	1,402	1,717
Total financial assets	18,756	20,644	17,348
Financial liabilities:			
Interest-bearing liabilities ³⁾	6,288	5,916	5,899
Derivatives identified as hedges	1,076	1,862	1,442
Derivatives at fair value through profit and loss for trading	52	93	52
Other liabilities	6,047	6,284	5,161
Total financial liabilities	13,463	14,155	12,554

¹⁾ Derivatives with positive values are recognised as assets and derivatives with negative values are recognised as liabilities. Derivatives with a legal right of offset amount to MSEK 878.

²⁾ Fair value 2017 Sep: MSEK 133; 2016 Dec MSEK 140; 2016 Sep: MSEK 140.

³⁾ Fair value 2017 Sep: MSEK 6,381; 2016 Dec MSEK 6,052; 2016 Sep: MSEK 6,054.

Valuation methods for financial assets and liabilities

The fair value of listed financial assets is determined using market prices. Saab also applies various valuation methods to determine the fair value of financial assets that are traded on an inactive market or are unlisted holdings. These valuation methods are based on the valuation of similar instruments, discounted cash flows or customary valuation methods such as Garman-Kohlhagens.

Level 1

According to listed (unadjusted) prices on an active market on the closing date:

- Bonds and interest-bearing securities
- Electricity derivatives
- Interest rate forwards

Level 2

According to accepted valuation models based on observable market data:

- Forward exchange contracts: Future payment flows in each currency are discounted by current market rates to the valuation day and valued in SEK at period-end exchange rates.
- Options: The Garman-Kohlhagens option-pricing model is used in the market valuation of all options.
- Interest swaps and cross currency basis swaps: Future variable interest rates are calculated with the help of current forward rates. These implicit interest payments are discounted to the valuation date using current market rates. The market value of interest rate swaps is obtained by contrasting the discounted variable interest payments with the discounted present value of fixed interest payments.

Level 3

According to accepted principles, e.g. for venture capital firms:

- Unlisted shares and participations

As of 30 September 2017 the Group had the following financial assets and liabilities at fair value:

Assets at fair value

MSEK	30 Sep 2017	Level 1	Level 2	Level 3
Bonds and interest-bearing securities	2,677	2,677	-	-
Forward exchange contracts	1,099	-	1,099	-
Currency options	41	-	41	-
Cross currency basis swaps	21	-	21	-
Electricity derivatives	10	10	-	-
Shares and participations	26	-	-	26
Total	3,874	2,687	1,161	26

Liabilities at fair value

MSEK	30 Sep 2017	Level 1	Level 2	Level 3
Forward exchange contracts	1,031	-	1,031	-
Currency options	18	-	18	-
Interest rate swaps	75	-	75	-
Electricity derivatives	4	4	-	-
Total	1,128	4	1,124	-

NOTE 9 Supplemental information on statement of cash flows

Free cash flow

MSEK	Total Group Jan-Sep 2017	Total Group Jan-Sep 2016	Q3 2017	Q3 2016	Total Group Full Year 2016
Cash flow from operating activities before changes in working capital, excluding taxes and other financial items	2,216	1,772	699	545	2,927
Cash flow from changes in working capital:					
Amounts due from and to customers	-1,543	4,198	541	-501	5,092
Inventories	-1,291	-1,289	-450	-780	-1,329
Other current receivables	1,624	-687	417	-157	-2,540
Other current liabilities	-279	-697	-1,023	-934	521
Provisions	-58	-187	-27	-73	-323
Change in working capital	-1,547	1,338	-542	-2,445	1,421
Cash flow from operating activities excluding taxes and other financial items	669	3,110	157	-1,900	4,348
Investing activities:					
Investments in intangible fixed assets	-627	-627	-206	-151	-882
Investments in tangible fixed assets	-823	-495	-267	-194	-807
Sales and disposals of tangible fixed assets	23	17	1	-5	27
Investments in financial fixed assets	-	-83	-	-21	-83
Cash flow from investing activities ¹⁾	-1,427	-1,188	-472	-371	-1,745
Operational cash flow	-758	1,922	-315	-2,271	2,603
Taxes and other financial items	-171	-235	-88	-16	-194
Sale of and investments in financial assets	9	-2	15	-2	-78
Investments in operations	-	-22	-	-22	-49
Sale of subsidiaries	-	77	-	-	77
Free cash flow	-920	1,740	-388	-2,311	2,359

1) Cash flow from investing activities excluding change in short-term investments and other interest-bearing financial assets and excluding sale of and investment in financial assets, investments in operations and sale of subsidiaries. If investments in and sale of financial fixed assets are considered to be of operating nature, the item is included in investing activities.

Free cash flow vs. statement of cash flows

MSEK	Jan-Sep 2017	Jan-Sep 2016	Q3 2017	Q3 2016	Full Year 2016
Free cash flow	-920	1,740	-388	-2,311	2,359
Investing activities – interest-bearing:					
Short-term investments	1,857	-531	342	2,169	-1,525
Other financial investments and receivables	-43	-18	-4	8	17
Financing activities:					
Repayments of loans	-1,265	-575	-1,089	-11	-582
Raising of loans	1,700	732	1,700	-	732
Dividend paid to the Parent Company's shareholders	-559	-530	-	-	-530
Dividend paid to non-controlling interest	-3	-4	-	-4	-5
Transactions with non-controlling interest	-	15	-	15	15
Cash flow for the period	767	829	561	-134	481

Liquid assets

MSEK	30 Sep 2017	31 Dec 2016	30 Sep 2016
The following components are included in liquid assets:			
Cash and bank balances	1,267	1,102	1,117
Bank deposits	850	300	600
Total according to balance sheet	2,117	1,402	1,717
Total according to statement of cash flows	2,117	1,402	1,717

NOTE 10 Business combinations

No significant acquisitions through business combinations were made during the first nine months of 2017.

NOTE 11 Defined-benefit plans

Saab has defined-benefit pension plans where post-employment compensation is based on a percentage of the recipient's salary.

Pension obligation according to IAS 19

MSEK	30 Sep 2017	31 Dec 2016	30 Sep 2016
Defined-benefit obligation	8,783	8,608	8,907
Special employers' contribution	613	594	697
Less plan assets	6,438	6,184	5,981
Total provisions for pensions	2,958	3,018	3,623
of which reported as long-term receivable	51	51	49

NOTE 12 Contingent liabilities

No additional significant commitments have arisen during the period. With regard to the Group's so-called performance guarantees for commitments to customers, the likelihood of an outflow of resources is estimated as remote and, as a result, no value is recognised.

NOTE 13 Transactions with related parties

No significant transactions have occurred during the period.

Related parties with which the Group has transactions are described in the annual report 2016, note 40.

NOTE 14 Definitions

Below are definitions of financial key ratios that are used in the report. For more information and explanations regarding the usage of these key ratios, please see saabgroup.com, investor, financial data, key ratios.

Capital employed

Total assets less non-interest-bearing liabilities.

Earnings per share

Net income for the period attributable to the Parent Company's shareholder divided by the average number of shares before and after full dilution.

EBITDA

Operating income before depreciation/amortisation and write-downs.

EBITDA margin

Operating income before depreciation/amortisation and write-downs as a percentage of sales.

Effective tax rate

Current and deferred taxes as a percentage of income before tax.

Equity/assets ratio

Equity in relation to total assets.

Equity per share

Equity attributable to the Parent Company's shareholders divided by the number of shares, excluding treasury shares, at the end of the period.

Free cash flow

Cash flow from operating activities and from investing activities, excluding acquisitions and divestments of short-term investments and other interest-bearing financial assets.

Free cash flow per share

Free cash flow divided by the average number of shares after dilution.

Gross margin

Gross income as a percentage of sales.

Net investments

Acquisitions and divestments of intangible and tangible fixed assets, and acquisitions and divestments of non-interest-bearing financial assets.

Net liquidity/net debt

Liquid assets, short-term investments and interest-bearing receivables less interest-bearing liabilities and provisions for pensions excluding provisions for pensions attributable to special employers' contribution.

Operating margin

Operating income (EBIT) as a percentage of sales.

Operational cash flow

Cash flow from operating activities, excluding taxes and other financial items, and acquisitions and divestments of intangible fixed assets and tangible fixed assets.

Order backlog

Total value of orders at the end of the period.

Order bookings

Total value of orders received during the period.

Organic sales growth

Change in sales in percentage adjusted for effects from exchange rate due to the translation of foreign subsidiaries, and structural changes such as acquisitions and divestments of subsidiaries.

Return on capital employed

Operating income plus financial income (rolling 12 months) as a percentage of average capital employed.

Return on equity

Net income for the period (rolling 12 months) as a percentage of average equity.

GLOSSARY

FMV
Swedish Defence Materiel Administration

FRN
Floating Rate Note

FTE
Full Time Equivalent, corresponds to one employee working full-time for one year

IAS
International Accounting Standards

IFRS
International Financial Reporting Standards

MTN
Medium Term Note, bonds with a duration of 1-15 years

Linköping 24 October 2017

Håkan Buskhe
President and CEO

REVIEW REPORT

Saab AB (publ.), organisation number 556036-0793

Introduction

We have reviewed the condensed interim financial information (interim report) of Saab AB as of 30 September 2017 and the nine-month period then ended. The board of directors and the CEO are responsible for the preparation and presentation of the interim financial information in accordance with IAS 34 and the Swedish Annual Accounts Act. Our responsibility is to express a conclusion on this interim report based on our review.

Scope of Review

We conducted our review in accordance with the International Standard on Review Engagements ISRE 2410, Review of Interim Report Performed by the Independent Auditor of the Entity. A review consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures.

A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing, ISA, and other generally accepted auditing standards in Sweden. The procedures performed in a review do not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the interim report is not prepared, in all material respects, in accordance with IAS 34 and the Swedish Annual Accounts Act, regarding the Group, and with the Swedish Annual Accounts Act, regarding the Parent Company.

Stockholm 24 October 2017
PricewaterhouseCoopers AB

Bo Hjalmarsson
Authorised Public Accountant

This information is such that Saab AB is obliged to make public pursuant to the EU Market Abuse Regulation. The information was submitted for publication, through the agency of the contact person set out below, on 24 October 2017 at 07.30 (CET).

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Press and financial analyst conference

24 October 2017 at 10.30 (CET)
Grand Hôtel, Venue: New York, Blasieholmshamnen 8, Stockholm

Contact Marie Bergström to register and more information,
ph +46 8 463 02 45

You are welcome to participate on site at Grand Hôtel, watch the live webcast or dial in to the conference call. It is possible to post questions also over the web and conference call.

Live webcast:

<http://saab-interimreport.creo.se/171024>

Conference call:

Please, dial in using one of the numbers below.
UK: +442030089803
US: +18558315947
SE: +46856642508

The interim report, the presentation material and the webcast will be available on saabgroup.com.

CALENDAR

YEAR-END REPORT 2017

PUBLISHED 16 FEBRUARY 2018

INTERIM REPORT JANUARY–MARCH 2018

PUBLISHED 26 APRIL 2018

INTERIM REPORT JANUARY–JUNE 2018

PUBLISHED 20 JULY 2018

INTERIM REPORT JANUARY–SEPTEMBER 2018

PUBLISHED 23 OCTOBER 2018